

Message Text

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FOLLOWING REPEAT PARIS 19128 SENT ACTION SECSTATE INFO BRUSSELS
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QUOTE LIMITED OFFICIAL USE PARIS 19128

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E.O. 11652: N/A
TAGS: EFIN, ETRD, OECD
SUBJECT: TRADE PLEDGE AND EXPORT CREDITS ARRANGEMENT:
SECRETARY BLUMENTHAL'S INTERVENTION AT OECD MINISTERIAL

1. FOLLOWING IS TEXT OF SEC. BLUMENTHAL'S INTERVENTION
ON TRADE PLEDGE (INCLUDING EXPORT CREDIT ARRANGEMENT)
DURING OECD MINISTERIAL MEETING:

BEGIN TEXT

-- THE TRADE PLEDGE HAS SINCE ITS INCEPTION BEEN A
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BULWARK AGAINST PROTECTIONISM AMONG THE INDUSTRIALIZED
DEMOCRACIES.

-- THE ECONOMIC ENVIRONMENT TODAY DIFFERS FROM THAT
WHICH PROMPTED THE ORIGINAL PLEDGE IN 1974, BUT THE NEED
FOR THE PLEDGE IS UNDIMINISHED.

-- PROTECTIONIST PRESSURES ARE RAMPANT, FUELED BY UNEMPLOYMENT AND SLUGGISH ECONOMIC GROWTH.

-- WHILE WE DEAL WITH OUR FUNDAMENTAL PROBLEMS, WE MUST GUARD AGAINST ANY EROSION OF THE TRADING SYSTEM. RENEWING THE PLEDGE IS A TANGIBLE SIGN OF OUR CONTINUED COMMITMENT TO LIBERAL TRADE.

I WOULD LIKE TO EXPRESS AT THIS TIME MY SERIOUS CONCERN ON THE MATTER OF THE INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS.

-- THE NEGOTIATIONS CONCLUDED IN FEBRUARY 1978 SERVED TO PROVIDE GREATER TRANSPARENCY WITH RESPECT TO EXPORT CREDIT TRANSACTIONS BY IMPROVING THE PROCEDURAL PROVISIONS FOR NOTIFICATION.

-- HOWEVER, SUBSTANTIVE IMPROVEMENTS IN KEY AREAS OF THE ARRANGEMENT WERE LEFT FOR FUTURE REVIEWS.

-- WE ARE SERIOUSLY CONCERNED THAT UNLESS THERE IS A HIGH-LEVEL POLITICAL IMPETUS TO FURTHER NEGOTIATIONS TO BROADEN AND STRENGTHEN THE ARRANGEMENT, THE EVER INCREASING PRESSURES TO USE EXPORT CREDIT FINANCING FACILITIES TO PROMOTE EXPORTS WILL LEAD TO A COSTLY AND WASTEFUL EXPORT CREDIT WAR.
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-- NOT ONLY WILL SUCH A CREDIT RACE GENERATE ILLWILL BUT IT WILL UNLEASH THE PROTECTIONIST FORCES WE ALL WANT TO CONTAIN.

-- THIS IS NOT AN IDLE THREAT. THE US CONGRESS HAS ALREADY INDICATED THEIR VIEW THAT WE DID NOT GO FAR ENOUGH IN OUR RECENTLY CONCLUDED NEGOTIATIONS. WE ARE UNDER SEVERE AND INCREASING PRESSURE FROM THE U.S. BUSINESS COMMUNITY TO PROVIDE MORE FAVORABLE EXPORT CREDIT TERMS.

-- ACCORDINGLY, IT IS OUR STRONG VIEW THAT THERE MUST BE NEGOTIATIONS THIS YEAR:

A) TO REDUCE THE EXTENT OF THE SUBSIDY PROVIDED IN EXPORT CREDIT FINANCING BY THE CONTINUING DIFFERENCE BETWEEN COMMERCIAL INTEREST RATES AND THE INTEREST RATES SUPPORTED BY EXPORT CREDIT AGENCIES;

B) TO INCLUDE THOSE SECTORS WHICH ARE NOT NOW COVERED BY THE ARRANGEMENT, PARTICULARLY AIRCRAFT,

NUCLEAR POWER PLANTS AND SHIPS; AND

C) TO MODERATE PRACTICES BY GOVERNMENTS WHICH
DEPRIVE EXPORTERS IN OTHER COUNTRIES OF THE OPPORTUNITY
TO COMPETE FOR SALES, FOR EXAMPLE, THE MIXING OF AID
AND EXPORT CREDITS.

-- I URGE THE INCLUSION OF LANGUAGE IN OUR
COMMUNIQUE WHICH WILL NOT ONLY INDICATE TO THE WORLD
THAT WE HAVE NO INTENTION OF SUPPORTING AN EXPORT
CREDIT RACE BUT WILL ALSO CONSTITUTE THE DIRECTION
WE EXPECT OUR RESPECTIVE OFFICIALS TO TAKE IN THIS
AREA.

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